

**SPECIAL MEETING
BOARD OF MAYOR AND ALDERMEN
(Called by the Mayor)**

October 26, 2004

7:00 PM

Mayor Baines called the meeting to order.

Mayor Baines called for the Pledge of Allegiance, this function being led by Alderman Shea.

A moment of silent prayer was observed.

The Clerk called the roll. There were fourteen Aldermen present.

Present: Aldermen Roy, Gatsas, Guinta, Sysyn, Osborne, Porter, O'Neil,
Lopez, Shea, DeVries, Garrity, Smith, Thibault and Forest

Mayor Baines stated I'm just going to go through the back drop of the budget and some of the changes that have occurred since we settled the budget initially in June and then dealt with some of the changes that have happened. Obviously, we have the issue of the Adequacy Grant, the issue of the valuation, the Veteran's Exemptions and fund balance and the two percent (2%) budget restraint that the Board directed the departments to proceed with after the change in the Adequacy Grant occurred. Then in June when we adopted the budget, the number we used for the Adequacy Grant was \$45 million, the Adequacy Grant as it stands today is \$42 million...as you know at one point in time it was down to as low as almost \$40 million, \$41 million and then the recalculation occurred and went up to \$42 million, but left us a hole of \$3 million that we'll discuss a little bit later. The valuation was estimated by the Board of Assessors at that time at \$5.279 billion and that's the same number that they verified recently in a letter to the Board of Mayor and Aldermen. The Veteran's Exemption...we estimated to be \$765,000, it is now going to be \$761,000...the fund balance...when we did the budget it was estimated to be \$1.9 million, it is now \$1 million, a difference of \$900,000...City revenues, at the time, we estimated to be \$47 million, we asked all of the departments to go back and look at revenues and then change here of approximately \$600,000, \$500,000 of which is interest income. The School revenues...there's a change here for the betterment, the School District estimated \$20.1 million at the time...school revenues are now \$21.4 million, about a million of that is the result of the accelerated payments from the Town of Bedford because they didn't approve the 20-year tuition agreement. The School fund balance was estimated to be...when we did the budget...\$1.25 million, it is now...and by the way the School District MS forms have already been completed...these are official tallies of \$1.7 million...the County tax we estimated to be \$9 million and there was a slight increase of \$9.3 million...the 2% budget restraint is still in effect. The proposal we are looking at to deal with the situation to get the

projected tax rate close to what was estimated in June and I'm not saying right now that we're comfortable with this and we will discuss some of the discomfort going forward, but this is how we're planning to get there...use the full amount from the Tax Rate Stabilization Account a total of \$1 million which will deplete that account. Establish an Arts and Cultural Reserve which will allow us to take some of the revenue stream coming from the civic center in which we now fund arts projects such as The Palace Theatre and other cultural events in the City and use that money to fund those so that they do not come from the General Fund which will not go against the tax rate. And, also to maintain the budget constraint at 98% going forward. Now, this is for our friends in the media...as you know when the Mayor presents the budget in March you usually see the headline in March saying this is the tax rate even though we caution people, we caution the Aldermen, we caution the taxpayers that this is only the beginning of the process because the tax rate is not established...first of all, the Board of Mayor and Aldermen don't establish the tax rate, the Department of Revenue Administration takes it and there are all kinds of changes that always take place from March to June and then June to November when we set the tax rate. I just outlined all the series of changes...Seth, if you can go back on that page...these are all of the changes that occurred from then until today, so if we had done nothing let's say the budget was still at 100% of our appropriation and everything remained the same and the Adequacy Grant was what it was supposed to be if we actually just sat around and waited for the natural occurrence such as looking at what happens with the fund balance, City revenues, School revenues, School fund balance...all these changes that have taken place...now, go back to...the tax rate would now be...the headline you would have read if that issue did not happen unexpectedly to us...the tax rate lower than expected would have been one percent (1%) lower than what we projected it to be in June when the Board of Mayor and Aldermen set the budget, is everybody clear on that? The June 8th estimate was actually 5.4%, if we had just sat around and waited for a natural occurrence or events it would have been down to 4.41%...today, if we did nothing and we kept the 98% in effect and did absolutely nothing else at all the tax rate would be 5.95%. So, if we didn't do the additional measures that we've taken with the accounts that we're establishing using \$1 million from the Tax Stabilization, establishing the \$113,000 Arts and Cultural Reserve...if we did nothing at all, just left everything alone the tax rate projected would be 5.95%. Again, reminding people that the tax rate will be set by the Department of Revenue Administration after they have verified all the efforts that we have taken. The proposal that is out there will result, in our estimate right now, through the Finance Department is 5.52%, the estimate when you adopted the budget in June was 5.4%. Now, having said that we've met with the department heads today and we've had some follow-up conversations and there are some cautions that we need to place out there. But, we do have \$750,000 that has been set aside to deal with Salary Adjustment is that we are going to be coming forward at the next meeting...we realize that there are serious issues with the Fire Department that unless we take some corrective measures will result in the layoff of four to six firefighters and I don't think any of us want to see that. We are dealing with public safety and we will be making a recommendation that approximately \$250,000 be transferred from Salary Adjustment to the Fire Department to ensure that firefighters are not

laid off. Secondly, even if we do that we still will have about \$135,000 in Contingency and there'll be another \$400,000 there that we will be able to apply to deal with various problems in other departments that are going to surface throughout the budget process. I still want to put out a high degree of caution related especially to the Highway Department especially with the winter. I talked to Frank earlier this afternoon...as we speak...and, Frank, just signal if I'm wrong that fuel costs and fuel-related costs have accelerated at a 67% increase total which will be a \$350,000 increase from last year in those areas alone. Everybody knows what's happening in that arena. If we have a severe winter there will be some very serious problems in the Highway Department that Frank will need to come back to this Board and need some assistance and to be honest with you I'm not totally comfortable with the amount in Contingency if it were just going to be that \$135,000 because a severe winter...that could be wiped out in his department alone. Also, I've got some concerns that Alderman Lopez mentioned earlier in some conversations with Commissioner Martineau about what could be happening in increased demands on the Welfare Department. So, I just want that to be out there and there may be other concerns you may hear as individual Aldermen but those are some of the concerns that I'm highlighting today especially with Public Works because what normally happens in the winter, as you know, Frank will get calls from individual Aldermen about sidewalks being plowed, there's a lot of pressure in the downtown area that you will hear and I will hear, the sidewalks cleared, etc., etc., and he may be in a situation where he will not be able to do some of those things. So, there is going to be some pain in the budget to deal with it to get it within that number that the Aldermen were focused on in June and which we worked together and you need to know up front that there could be some pain with this budget going forward. Having said that, I would open it up to the Board for discussion.

Alderman Lopez stated I think the \$750,000 is really a key element in making the \$5.2...department heads that I have spoken to want to know the exact number and in conversation with the Mayor and the Finance Officer and the Deputy Finance Officer the problem in the Fire Department is where the \$250,000 comes into play there. So, he doesn't have to layoff people and as all the Aldermen know that we put 98% on them and he's been controlling overtime over there at the same time, but I think that there will be...and, Randy, you can jump in if I say something wrong...approximately we'll have over \$500,000 in Contingency, it might not be enough and I probably agree with the Mayor if something does happen and it's like having a fire or a building collapse...we'll have to deal with it whatever the situation is. I think when we started looking at the budget back in June and finalized everything we were at that 5.5% and without being repetitious about what the Mayor said plus the fact...I don't know if I heard you hit on what the State did to us too to come to this particular point of 5.5% we could have been lower, we could have been higher, we could have been at 8.5% if we'd done nothing and some of these other numbers didn't fill in there, so I think we've done the best we can with what we have understanding that problems are going to come up and looking back where department heads have come back with at least one percent (1%) at the end of the year and such I think every avenue and every input that

we could think of I'm very comfortable with the 5.52%. Randy, do you want to explain if I've left anything out of the \$750,000 that we're talking about.

Mr. Randy Sherman, Deputy Finance Officer, stated if I understand the question, the \$750,000 that is in there for the Salary Adjustment...what we're doing here is leaving those dollars available to really use more of a sniper approach on taking care of budgetary problems. Rather than use a shotgun approach and give everybody the same type of cut that this allows the Board to say here's your cut up front but now we have to pool the money and help specific departments as we feel is justified to help those particular departments. Every department that we have gone through and looked at every department isn't facing the same types of problems. They're all facing issues but at various levels, so by having that pool of money we can take care of the departments on a one-on-one type basis.

Alderman Shea stated I want to commend all of the department heads...up until this time they have worked according to our June 2nd Committee on Finance meeting. We're trying to be fair to all of the people, the people who pay taxes, to the people who run departments, we have confidence in our department heads that they will obviously work to the best of their abilities, they are competent people and they've always done excellent work. I remember last year, your Honor, or the year before we had a problem with Welfare and they came through for us and so we want to be fair with everyone and it's a difficult situation because we didn't anticipate the lack of funding on the part of the State government. But, in looking at the six points that we adopted on June 2nd we've tried to follow them and as far as number 6 we stand committed to maintaining a strong Police, Fire and other first responders and to the educational system in our community and I think that we've tried to do that and we have also tried at the same time to be fair to the people who support City government. I know that there are a couple of other points that we can put into play at this time in the event that there is some type of a serious problem that might develop because of a catastrophe or another, so we do have that in abeyance in terms of being able to do that. What we want to do is to make sure that all of the departments in the City run according to the way they've been run and we also want to make sure that all of the taxpayers in the City are given as fair a tax rate as we can possibly do and when we compare our community with other communities we are far below them, your Honor. In other words when one looks at Bedford, Hooksett and all of the other particular tax rates that are coming in obviously, they're coming in at a much higher rate. Actually, now setting the tax rate we're certainly trying to do all we can for those concerned. So, I appreciate the cooperation we've received and also for those of us who tried to work on this budget I certainly commend all of the people.

Alderman O'Neil stated I apologize in advance I'll probably be asking a number of different questions of different people...the first couple may be appropriate for Finance. Randy, the Tax Rate Stabilization, the use of a million dollars it's good for this year...what position does that put us in for Fiscal Year '06.

Mr. Sherman replied I've actually tried to make some reasonable projections based on where we're going for '06. I can tell you that School has used up their fund balance...this will have used all of the City's fund balance, so when I've done the projections for '06 I've got zero in there. By cutting back...typically, we get one percent (1%) back from the departments, but now you're going in and cutting the departments two percent (2%). I doubt very much you're going to get an additional one from them, so going forward I've got nothing for next year. There may be some. Some revenues may come in higher than we had budgeted and certainly I don't anticipate any department will owe money, a big deficit at the end of the day so there will be some money from the departments, but right now I wouldn't count on it.

Alderman O'Neil stated so as the Mayor starts the process of preparing fiscal year '06 we're going to be a little bit slow out of the starting gate. This puts out an immediate fire but it doesn't put out a fire down the road.

Mr. Sherman stated that's right.

Alderman O'Neil stated so this is a serious consideration then.

Mr. Sherman stated that is correct.

Alderman O'Neil stated this may sound like a stupid question but establishing arts and cultural reserves out of the Verizon revenues...why can't we use that, that number almost matches what the Police details cost...somewhere around \$100,000, why can't that same money be used to pay those Police details?

Mr. Sherman replied at the end of the day you end up in the same place but there are a number of issues that we looked at in trying to figure out how best we could use that. When we were trying to get the biggest bang from those dollars because at the end of the day whether I use \$113 to pay one or pay the other...by putting it in the arts and culture I'm sure you all saw the results of the economic impact study on Verizon and the fact that it's a \$28 million impact to the City based on the activity that goes on down there the thought was that if we could turn some of these dollars back in and bring even more people downtown we will then increase that economic impact. Now, what we're doing this year because the budget is already in place is we're using it to, in essence, fund programs that are currently in the budget. But, if at any point that there are excess dollars more than what we're currently appropriating you could actually use them to help the festivals that are trying to come, the Jazz Festival and the Mill Festival and those types of things to kind of enhance those. We used to get over 100,000 coming in for Riverfest and as we all know they had financial problems every year and always looking for help with extra details and that's really if this fund ever got to the point of where it was generating dollars to help in those efforts that was really one of the thoughts. The other item is what we're trying to fund here is really something that's discretionary. By putting it in to fund a recurring operating expense if at

some point you're getting zero dollars from Verizon which we did actually last year get zero dollars...you don't want to be in the situation where if you're looking to make that up through a cut you're cutting something that's part of your operation. By putting it into the arts and culture it's more of a discretionary spending on the Board's part and the Mayor's part is when he puts together his CIP which is really why we focused on that area.

Alderman O'Neil asked don't we see the Police details as a recurring operating expense?

Mr. Sherman replied yes, we do.

Alderman O'Neil stated it's also squeezing other police services in the City because the Mayor, rightfully so, made a determination that there was a public safety issue there but we didn't give the Police Department any more money to address that public safety issue.

Mr. Sherman stated you gave them money in their 100% budget, but in order to meet the 98% restraint that you've got on that was one of the items...and the Chief came back and said okay...he considered it discretionary and the Board came back and said well, we don't...so, that is why I was trying to target it, again, to a discretionary item that...I sat down with Tim Bechert last week and we kind of looked out at the next three years and we figured that we'd be able to fund this, at least over the next couple of years based on some projections of where we think Verizon is going to be, but ultimately at the end of the day get out to year three or four and those dollars aren't there, well now it's a discretionary item that you can cut back on rather than something that we feel is a necessary item.

Alderman O'Neil asked will it lock us in with the arts and cultural once we commit to a sum of money we're kind of stuck to that sum of money, true?

Mr. Sherman replied not necessarily. Again, you can fund a Riverfest one year and say...again, they had good years and they had bad years and when they had the wet years is when they were coming in looking for dollars.

Alderman O'Neil stated, your Honor, I have a few questions for department heads but if you want to go to some other Aldermen and come back to me.

Alderman Thibault stated there are two departments that sent a letter about they're having a hard time with the 2% reduction, I wonder what kind of an impact that has on those departments and if we could heard about it, find out from say City Clerk and the Assessor's had a problem...I wonder if someone to explain to us so that we know exactly what kind of an impact that would have on your department.

Mr. Tellier, Chairman of the Board of Assessors stated one of the concerns in our letter was one to fill a customer service position which is still vacant. With this scenario it doesn't

appear that it's going to be a significant disturbance with the exception of two issues: one, again within the confines of what the Aldermen have asked for we would have to ask the Mayor and the HR Director and outline the reasons why we wish to fill that vacancy and were we approved to fill it we'd have to push that a little bit forward and we would, in fact, have to hire at the lowest grade possible because we just couldn't afford to pay higher than that. The other concern is that the City just spent approximately \$500,000 to bring us into the 20th century for geographic information systems. We, in fact, have not been updating our paper tax maps for quite some time now but the electronic database is current and accurate and what we're looking for are a number of monitors so that they can be dispersed accurately for the public to assist the customer service, economic development and to get that information out there to further the mission of the City. So that is why there was a difficulty with that 98% directive. I've gotten some information back, a number of the Aldermen who I made that aware to spoke to Diane Prew and the Mayor's office and will attempt to assist us in any way they can. I won't stand here and say it won't be difficult, we're lucky that we had a vacant position. Were we fully funded we might have to come to this Board to say that we might have to look at layoffs with the current scenario and I understand there are a small number of departments that are facing that. As I listen tonight there are plans to try to handle that on a case-by-case basis, so that is the extent of our concerns.

Alderman Guinta asked if we use 100% of the Tax Rate Stabilization fund what's the impact of that on the account itself other than it goes to zero?

Mayor Baines replied that's basically it.

Alderman Guinta asked would we still have it in place?

Mayor Baines replied the fund will still be in place and if in fact there were funds that were in excess we'd regenerate and replenish the fund.

Alderman Guinta asked what funds would be generated to be returned to that account.

Mr. Sherman replied it would come from your 2005 operating budget, so again it would be anything that the departments turn back at the end of the year which as I said to Alderman O'Neil would probably be slim to none or any revenues that come in in excess of the projected revenues that we have.

Alderman Guinta asked when did we create that account?

Mayor Baines replied two years ago.

Alderman Guinta asked what was the purpose of the fund?

Mayor Baines replied tax rate stabilization problems.

Alderman Guinta asked how was the vote on the Board in terms of creating that account?

Mayor Baines replied it was unanimous.

Mr. Sherman stated the issue that happened that year was the year in creating the budget there was that the valuations changed significantly and went down from what we used in the budget projections. So, what we had to do at that point is go in and start cutting because we didn't have this type of account and that's why, in essence, we set it up so if there were some significant changes from the point where you adopted the budget and you're at the point where DRA actually set the tax rate you would have those funds available to tap into rather than go in and do cuts.

Alderman Lopez interjected, Mayor, can I get clarification on something?

Mayor Baines replied yes.

Alderman Lopez stated I just want Randy to verify that during the budget process the million we're speaking about now we already authorized \$900,000 so we're actually taking the whole thing, is that correct?

Mr. Sherman replied according to the ordinance the Mayor can put in a half, it's a half you can use every year.

Alderman Lopez stated but during the budget process when the budget was presented by the Aldermen we used \$900,000 that was left in that account and now we're just taking the other \$100,000.

Mr. Sherman replied that is correct.

Mayor Baines stated in my budget I used what was allowed under the old...

Alderman Guinta stated you used half...it was increased under Alderman Lopez's budget the \$900,000 and today it would be increasing it to a million. Okay, the other question I have...and does that require an additional vote...do we have to change an ordinance to do that?

Mr. Sherman replied no, just a simple majority vote.

Alderman Guinta stated the other issue I have is the fund balance from \$1.9 to \$1 million. Randy, can you refresh me in why that's been reduced by \$900,000.

Mr. Sherman stated the \$1.9 million was what was in that account at the end of fiscal 2000, so as we were developing the '05 budget that was the best number we had at that point. Now, that we have effectively closed the books on '04 and run through all of the activity that happened during that fiscal year the \$1.9 has actually dropped to \$1 million. The City did turn a surplus last year but when you go through the fund the insurance reserves and you fund the one-time account what happens is the dollars that were in the Tax Rate Stabilization Account actually ended up going down. Again, the surplus that the department's turned back, a sufficient amount of that was insurances. So, the good news is that all of your insurance reserves are now fully-funded. So, any future reserves coming in or any future surpluses coming in...the insurance accounts will, in essence, will float back into this account.

Alderman Guinta asked are you saying that out of the fund balance...we took money out of the fund balance to pay insurance reserves to bolster insurance reserves?

Mr. Sherman replied out of the surplus you had last year what you do is take a portion of the reserves that have been generated from the insurance accounts and you put those in the insurance reserves. So, that's really the first deduction that you have from any surplus, that gets funded first.

Alderman Guinta asked did we do more last year than we typically do for the insurance reserves?

Mr. Sherman replied no necessarily more. Worker's Comp you had a good year, health insurance you had a good year, the CGL account went over budget but because the health insurance reserve had been at 100% the year before the surplus from the health this year rolls into the other accounts.

Alderman Guinta stated on average...give me a five-year and I don't know if you know this for certain, but over a five-year period are we always at 100% in those reserves or are we traditionally lower?

Mr. Sherman replied no we're traditionally lower. This is the first time we've been at 100% in all three reserves.

Alderman Guinta asked are we typically at 90%?

Mr. Sherman replied no, I couldn't tell you specifically which year it was but there wasn't that long ago that our Worker's Comp was zero.

Alderman Guinta asked is there some flexibility in those reserves to further reduce the tax rate? First of all, is it possible to do that by an action of this Board, number one and then if so, do we want to consider that to further reduce the tax rate?

Mr. Sherman replied I believe under the ordinance you probably can move that money if you so desire. I guess I'd probably ask Tom Clark to weigh in on this because we are self-insured and I know under the self-insurance that we do have to report those reserves...the State obviously wants to make sure that we've got dollars there to pay claims as they come in.

Alderman Guinta stated I'm not talking about completely decimating...

Mr. Sherman interjected I understand that. Then again I guess the third point I would make is what do you do next year and it's a one-time issue...

Alderman Guinta stated I understand that but if the history suggests that we don't need to tap into 100% of the reserve what's the purpose of having 100% reserve and you're saying that in years past we've had a zero reserve with respect to Worker's Comp and if we play with that number a little bit maybe get down to 80 or 90 is that a reasonable reserve and also allowing us to reduce the rate?

Mr. Sherman replied, for example, Worker's Comp you have an actuarial study that tells us how much money we should have in that reserve and in years past we haven't had what the actuarial has requested. So, what we've done in past years is we have funded Worker's Comp to a higher level than we thought the annual cost would be so that we could build those reserves up. Now, this year in '05 because we had such a good year in '04 we did not build any additional dollars in the Worker's Comp budget. The Worker's Comp budget is actually about \$225,000 less than it was last year.

Mr. Kevin Clougherty, Finance Officer, stated I agree with Randy. The purpose for the reserves is to provide for an actuarially based reserve and what we've done is try to get ourselves in a position where we have those funded, as he points out in other years, you can take a substantial hit in your health and your Worker's Comp and we've seen those. So, although it's something you can do perhaps legally it's not something that we would advise you to do and it's not something that we would support. We think you set up these reserves, they're there for a reason and you should fund them because it's going to help you going forward into the future.

Alderman DeVries stated, Randy, when you were first addressing the new ordinance you happen to mention that there were a couple of items in this budget that we wanted to take care of with the amount set aside from the Verizon revenues, what items are we taking care of in this current budget?

Mr. Sherman replied I actually went through and came up with, I think, it was close to \$140,000 worth of what I would term arts and culture items that fit. But clearly, you have things like the subsidy that you give to The Palace Theatre...the dollars that you provide to Intown for the concerts on the common...it's those types of things and I apologize I didn't bring the entire CIP budget with me, but if you go through those...I clearly came up to more than the \$113,000.

Alderman DeVries stated so you haven't put together some sort of an itemization for us of the amounts that...

Mr. Sherman stated I didn't because what I'm looking for is that we would just recognize half of that fund as a revenue in the '05 budget and then depending on what comes in next year we pick money up again in the '06 budget so we don't get that one-time impact to us.

Alderman DeVries stated let me ask you also, if I might, the Verizon revenues last year was zero...the year before?

Mr. Sherman replied \$226,000.

Alderman DeVries asked what was that deposited into, was that going into our one-time revenue account?

Mr. Sherman replied it's in the one-time account.

Alderman DeVries stated so if we are getting monies this year to put into this new reserve that we might establish tonight we could accomplish the same thing with more flexibility if we just tonight just took action to transfer the same anticipated dollar amount from our one-time reserve account and let the dollars flow into that as they would have, isn't that correct? We'd accomplish the same thing for tonight for setting the tax rate and that would give us more time to do some research on the new ordinance that is before us.

Mr. Sherman replied I'm not sure I follow you, do you want to let the money that...

Alderman DeVries stated the money in the past has gone into our one-time revenue account; that is where it would go this year on taking it's own course. You're just looking to redirect it into a brand new reserve fund...

Mayor Baines interjected to reduce the tax rate.

Alderman DeVries stated what I am saying, your Honor, is that if we took action tonight to utilize whatever you anticipate the Verizon revenue to be, I didn't catch that dollar amount,

if we just take that tonight out of our one-time revenue account, put it into tonight's budget we have reduced the tax rate the same way we would be establishing a new revenue account and that would just allow us more time to do some due diligence on setting up this new reserve. It's just the first time I've seen it.

Mr. Sherman replied right, I understand that.

Alderman DeVries stated I do recall last year there were some issues over the wording of one of our reserve accounts that, I don't know about the rest of the Board, but I'd really like to go over them with a fine tooth comb.

Mr. Sherman stated I tried to address those and Tom Clark has reviewed it and we tried to word it very carefully not to bind us...the issue is the reason that this goes into the one-time account is because it does come in sporadically. And, even though we've done an estimate on what we think might come in this year and it's roughly about \$70,000 I don't think I had said that number, it may be nothing and I'm not sure that I would feel comfortable or Kevin would feel comfortable seeing on how him and the Mayor and Kevin to put that number in based on some speculation that we think that that's what that number is going to be. And, as I explained to several of the Aldermen in private earlier is the one reason why we looked at the account this way in actually setting up the account is it really maintains the integrity of the ordinance that's in place. It's there, take those dollars to set up to use and rather than just go in and say okay well if you're going to use \$113,000 why don't we just go and grab \$113,000...it kind of doesn't live by the intent of the ordinance. Now, I know we get there doing it this way, but it's really an integrity issue. When we go down to Wall Street the next time and the rating agencies...some of them increased our bond rating mainly because some of these reserves are set up and we go into them and we say well okay we used the Tax Rate Stabilization 100% but you know that's what it was there for and the Aldermen used it, they chose to use it and that's okay. But, then once we say then we started to tap into some of these others funds is where we start to run into problems, but if we say no we followed the ordinance, we set up an account, we've got this nice reserve account there now and that's what it's there for then we're okay.

Mayor Baines stated let Mr. Clougherty respond and then I will come back to you.

Mr. Clougherty stated just following up on what Randy said, I think it's more a question of precedent. The credit rating really is your grade on management. Management is said to go set aside reserves, if you're going to have a one-time revenue that will not be used for operating expenses and to just move the \$113,000 directly for that without as he says some type of a policy in place I think would be regarded as a little bit of a renege by the credit rating agencies and that could hurt you and I wouldn't recommend that.

Alderman DeVries stated, Randy, just a clarification...you said at the beginning that you thought that you didn't have a firm number to embrace yet from the Verizon revenues and you didn't think...so, how are we anticipating a reduction in approximately \$140,000 if we're not yet sure of that number?

Mr. Sherman replied I've got the \$226,000...what we're suggesting is that we take the \$226,000 that's already received and use that to fund the account and if I can just jump in Tom (Clark) has corrected me on that, it does take ten (10) votes to use the balance.

Mayor Baines inquired for the additional \$100,000.

Mr. Sherman replied yes.

Alderman Shea stated I just wanted to add too that we want to maintain the integrity of our bonding ability and I think that in discussing different types of accounts we have to be careful. I realize the simplest way to reduce the tax rate is taking two or three million dollars out of the Rainy Day funds or Trust funds but then our bond rating goes down and we'll be in the same position, and I hate to say this, as the State is today where their bond rating is so low that obviously they're having problems with that and we don't want to go into that, your Honor, we want to make sure that our bond rating is the highest possible so that if in the event we have to utilize our borrowing capacities for one type or another we'll be able to do that and get a reasonable amount of lowest interest, is that correct, Kevin?

Mr. Clougherty replied managerially and from a tax rate perspective it's always better to deal with these issues on an expense side rather than dealing into your reserves.

Alderman O'Neil stated I'd like to get into the departments a little bit and I think we can exclude the enterprise, any discussion about the enterprise and I know we can in schools...I throw this out to Randy, Kevin or you, Mayor, are the small departments by adopting this...I know there were some concerns with the small departments that the only way they can address their issues was possibly with staff reduction and I include Finance, the Assessors, Information Systems, Tax Collector, Building, City Clerk, Planning, etc...the majority of our departments I consider the small departments. Does this settle their issues. Steve kind of addressed it a little bit but how does this handle the small departments?

Mr. Clougherty stated I apologize for not listening to all the previous remarks because I had discussions in the back of the room...it is going to be a difficult year. Everybody is going to have to manage and everybody is probably going to have to keep that vacancy open a little bit and work harder in trying to make this budget work, but with the proposal that's being offered you will have that Salary Adjustment money that will be reallocated and I think working with the departments given the history of how they've managed and given where

they are today in terms of the financial statements and what they've spent to date that we should be able with this strategy to get through the year and take care of their issues.

Alderman O'Neil asked what would the number be if we brought the departments up to 100% funding?

Mr. Clougherty replied it's the combination of things, Alderman. If you just brought them up to 100% funding...

Mayor Baines interjected we did that calculation today.

Mr. Clougherty stated and let me ask you this, Alderman, and still keep the Salary Adjustment at 100%?

Alderman O'Neil stated yes I am just curious what that number is because my understanding is we're putting in a number for Salary Adjustment but they're still operating at 98% levels...

Mayor Baines stated Randy is calculating that now.

Alderman O'Neil stated okay then I'd like...

Mr. Sherman replied 6.84%.

Alderman O'Neil stated that would be 100% plus the Salary Adjustment. If I could, your Honor, just take a moment to bring up what I call the four (4) large departments individually; that would be Fire, Health, Highway and Police and Frank Thomas looks like he's closest to the front.

Mayor Baines stated I would suggest that you all come up.

Alderman O'Neil stated I guess I would start with Frank...Frank, did I understand right that fuel costs are going to increase about 67% for you since we've approved the budget?

Mr. Frank Thomas, Public Works Director, replied that's correct and I'm glad the Mayor brought it up tonight. But, he mentioned that there could be an impact on a severe winter. Quite frankly, I'm looking that there is going to be a potential major impact little below an average winter. The reason why I say that is that as the Mayor mentioned our fuel costs are up 67%...that represents approximately \$170,000 reduction in our line item for fuel.

Alderman O'Neil stated I thought I heard a three-fifty number come out earlier.

Mr. Thomas replied that is correct. In addition to that...

Alderman O'Neil interjected the fuel costs alone is one-hundred and...

Mr. Thomas replied \$177,000...salt, obviously in the winter time we're budgeted at \$540,000. We just received our bids for salt, salt has gone up 33%. That alone represents another reduction per se in our budget of \$185,000. Then when you figure a four percent (4%) reduction in our overtime account that totals up to, I believe, about \$380,000. So, what I have allocated in my budget presently for an average winter has been reduced by about \$380,000. This will, in my estimation, have a serious impact on my ability to provide a reasonable level of snow removal services over the winter months. As the Mayor mentioned we'll have to operate our snow budget based on an average to bare winter which means we're going to have to implement money saving strategies from the day the first snow flake comes down which will most likely mean that we won't do any snow pick-up on an overtime basis; that we will put down a minimum amount of salt most likely resulting in snow pack and to what I feel is somewhat of an undesirable situation after a snow storm and, of course, these fuel costs are going to have to be made up.

Alderman O'Neil stated we no longer, we used to have a resurfacing fund that if we had a good winter we'd use for resurfacing if not it went to snow removal.

Mr. Thomas stated that is correct. We had our little insurance policies in our operating budget in the line of resurfacing. As you mentioned, if we had a severe winter we could reallocate those funds, if we had a mild winter we could utilize those funds and potentially more. The other major concern I have is that...and, again it was mentioned tonight, in the past other departments have had financial difficulties such as the Welfare Department and the other departments were able to kind of rally, step up to the table and help bail out that operation. The concern I have is that there is very little Contingency money, the money that is being held in reserve in Salary Adjustment you're not going to be able to use to buy salt, I'm just very, very concerned that the other departments are going to be able to help and step up to bail us out if we have a bad winter, we don't have a lot of money in Contingency. I think we would be faced with a very serious situation if we get an average to severe winter. I would strongly recommend that the Board consider establishing or increasing that Contingency account and if it's needed for snow fine. If it's not needed it goes into fund balance and be able to go into the next budget process with more than zero to none. I do have a major concern with our budget. Now, obviously, if we have a mild winter no problem I'm in good shape. But, right now, moving into the winter with a 33% increase in our salt costs, a 67% increase in our fuel costs...I have a serious concern.

Alderman O'Neil stated, Frank, am I correct in that you told me at one time that it's approximately the same cost to go out and salt the road as it actually to go out and plow a road.

Mr. Thomas stated a small storm...2 or 3 inch storm is about the same amount as a 9 inch storm because you need to put the same amount of chemicals down...it's at approximately the same time as labor, plowing, etc.

Alderman O'Neil stated that freezing rain in some way can be like a snow storm. There is going to be significant labor and fuel and salt costs to treat that incident.

Mr. Thomas replied that is correct.

Aldermen O'Neil stated maybe go to Fred (Ruszek) now. Fred, what happens with this...

Mayor Baines allowed other Aldermen to pose questions to Mr. Thomas.

Alderman Shea asked, Frank, how much do you set aside in an average winter?

Mr. Thomas replied the snow removal budget is about \$1.250 million. Now, that number is made up of overtime, salt, some miscellaneous rental costs and equipment costs.

Alderman Shea asked how many storms do you anticipate usually? Like 9 severe ones, 12, 6, 8?

Mr. Thomas replied it is a breakdown but it's approximately between 10 to 12 snow storms that we budget. Prior to these increases in fuel costs and salt costs an average snow storm when we go out is in about the \$80,000 range.

Alderman Shea stated so if you had 15 at \$80,000 would be about \$1.2 million. So, you've set aside how much?

Mr. Thomas replied \$1.25 million.

Alderman Shea stated the second point is I locked in my fuel costs, did you lock in your fuel costs too.

Mr. Thomas replied the City did not lock into the fuel costs for any of the fuels because the market has been so volatile from the summer on. So, the fuel costs have not been locked in. In years past, we did the locked in fuel costs but we didn't this year because it has been so volatile.

Alderman Shea asked what do you anticipate paying? Fuel costs now at \$1.88 as far as oil...I'm locked in at \$1.59, so the City wouldn't lock in at \$1.599.

Mr. Thomas replied there was a decision made some time ago to buy off the State bid for fuels because again the market was volatile, it was heading down for a while and we were hoping that that trend would continue, however, it hasn't and it's gone back up again. Right now, last year we were paying approximately \$.90 a gallon for diesel fuel and right now it's up to close to \$1.50 a gallon.

Alderman Shea stated when it was \$1.20 or \$1.30 nobody locked in figuring that it would go down you mean.

Mr. Thomas stated when the market was so volatile going up and down it doesn't make sense to lock in. The market started going back down again and it's going up again. This is throughout the City...fuel oil, gasoline, diesel.

Alderman Smith stated on the average storm if you have snow plowing, the sidewalks, the streets, salting, etc. and with the 2% raise that you have to have in your budget, what would be the approximate cost for those storms you have to plow.

Mr. Thomas stated again in the past it was about \$80,000 totally for a storm and did not include the following clean up snow removal afterwards. However, I haven't calculated the first storm cost based on a 67% increase in fuel and the 33% increase in salt.

Alderman Lopez stated every year you use salt did you lock that in.

Mr. Thomas stated we always bid salt in the October time frame and have always had a good price for salt. We got five bids and the low price for salt this year was a little over \$40 a ton, we're still cheaper than the State of New Hampshire, so we have always been, for the last ten years, cheaper than the State of New Hampshire and we've always bid out salt during the October time frame.

Alderman Lopez stated the salt didn't go up 67% did it.

Mr. Thomas replied salt went up 33%.

Alderman O'Neil stated Fred Rusczek I guess would be the next one up. Fred, still operating at the 98% budget with the Salary Adjustment, what will that do to the Health Department.

Mr. Fred Rusczek, Health Officer, replied the 98% level with the Salary Adjustment will be very tight for the Manchester Health Department. The only thing in looking at our budget...a big portion of our budget comes from outside funds. For example, of the \$3.25 million in our budget about \$1.3 comes from the School Department, so that is already pretty well locked in. As long as the cuts can be spread across the entire budget including schools we can probably get by. There's first one pressure that we have is that we are responsible for

all the facility costs at the Rines Center with the other departments as well. Those costs were put into the FY2005 budget based on a few months worth of experience with the building half occupied and we're running above our budgeted costs there as well as energy costs going up, so we're a little bit concerned about the costs of maintaining the Rines Center and as well after the budget was prepared the City Clerk's office took over space on the second floor, so we're picking up that cost. On the other hand, there are some things in our budget that have been tracking fairly well so far. One of them is health insurance costs. So, with all being said at this point we're committed to doing the very best we can within the budget and trying to maintain vacancies rates and we feel that we have a position at a half-time level, we're hopeful we can find funds to restore this Community Health Nurse position to full-time, we're just doing the best we can to get by.

Alderman O'Neil stated if we had a major outbreak of something in this City you'd be very tight to address that.

Mr. Rusczek stated right now we're having a real challenge keeping up with the communicable diseases that we have. We have had community health nurses out seven days a week for some time following up on tuberculosis and last year we hit 200 communicable disease cases investigated where we would typically get 80 or 90. We're challenged right now. I'm looking within our budget to see if there is anything else that might not be as critical as restoring that nursing position. We're also looking to outside funds. We have that ability to sometimes get outside funding that not all departments have so we're challenged...if we have an outbreak absolutely we're challenged and outbreaks are becoming more common for us across the country and the world.

Alderman O'Neil in addressing Chief Kane stated, Joe, I know that we kind of dealt you the double blow of the year with not only the 2% but also we hit in approving the operating budget we hit you significantly on your overtime. Where does this plan leave you regarding the operations of the Manchester Fire Department?

Fire Chief Joseph Kane replied where it leaves me is that we still going to be about \$23,000 less than we were before going into the plan but at least from the plan that is proposed by the Mayor tonight we won't be facing any layoffs. If the plan was not laid out the way it was and we were looking at increased labor costs our operating budget for overtime was about \$170,000 left in the budget. Our operating costs would have been an additional \$273,000 which obviously would have been \$100,000 short there and we would have been facing layoffs. As it is right now we have two ladder trucks out-of-service and I'm going to have to look at additional cost saving measures this coming week.

Alderman O'Neil asked even with this plan would those ladder trucks have to stay out-of-service?

Chief Kane replied yes.

Alderman O'Neil stated you're saying you may have to do additional cost savings over and above the ladder trucks out-of-service.

Chief Kane replied that is correct. I don't anticipate any other trucks out-of-service or layoffs with the plan that was outlined by the Mayor, but I'm still going to have to look at other areas in the budget.

Alderman O'Neil asked can you give us some examples of some other things you may be able to do.

Chief Kane stated I'm going to have to tighten the belt as hard as I can in regard to staffing...I'm going to have to take another look at that and see if we can reduce that again. Other areas in the budget that we are going to have to look at is...we don't have much in equipment but we will have to look at that. Other areas...utilities...we're going to be hit just like everyone else. We have the costs of running trucks, heating the buildings...those types of things that are increasing. So, right now, I don't have any specifics but I can tell you that we are going to have to look at every single area.

Alderman O'Neil stated you had mentioned at one point maybe overtime for training, overtime for the mechanics, overtime for fire investigators...

Chief Kane stated right now if we have a truck that breaks down in the middle of the night we'll call a mechanic in to see if we can get it fixed to get it back in service; that is probably something that we're not going to be able to do. Again, fire investigations...calling people in in the middle of the night to do a fire investigation we may have to look at that...training is just going to have to stop.

Alderman O'Neil stated so I'm clear based on the 5.52% you should meet everything but it will mean that those two ladder trucks still have to stay out-of-service for an extended period of time which would be the year.

Chief Kane replied that is correct.

Alderman Gatsas asked, Chief, can you tell me if memory serves me correct was a Wellness Program for equipment somewhere around \$400,000?

Chief Kane replied that is correct but that was a federally-funded program, it wasn't City funds.

Alderman Roy in reference to ladder trucks out-of-service which are very important to us asked what dollar figure would it take...we've been talking about 98%, what dollar figure would it take to get those back on the line?

Chief Kane replied as I said in the letter earlier this year it would have been about \$200,000 per truck. Obviously, we're further into the year so probably about \$325,000 for both trucks.

Alderman Roy stated the total amount that your budget was cut during the budget sessions was.

Chief Kane replied the total amount that the budget was cut was...the 2% represented \$400,000 and the cut between the Mayor's budget and the Aldermen's budget was another \$200,000 for a \$600,000 cut.

Alderman Roy stated so the entire 98% was the two trucks coming off the line.

Chief Kane replied that is correct.

Alderman Lopez stated, Chief, I don't ask this question derogatorily but rather sincerely, okay. Are you capable of protecting the City of Manchester as of today with what you have?

Chief Kane replied I can protect the City of Manchester at the level that I'm protecting it today with those two ladder trucks down. Obviously, when we put those ladder trucks out-of-service service was reduced. I can maintain that through the rest of the year with the proposed budget.

Alderman DeVries asked do you anticipate keeping those two ladder trucks out-of-service for the rest of the year is going to save you in your overtime use, have you projected looking at your week-to-week use for the remainder of the year, have you made a determination that you need the extra personnel to fill vacation, sick leave, whatever else (Workman's Comp.)?

Chief Kane replied we do that on a day-to-day basis and as it looks right now the answer would be yes. We anticipate that we would need those ladder trucks out-of-service for those floating people. One of the things that is hurting us at this point in time is that the Fire Department does not have any vacancies. If we had some vacancies that might give us a little extra in our salary account but since we don't have any vacancies whatsoever and there might be some after the first of the year that might help that, but currently we don't have any vacancies.

Alderman DeVries stated and certainly I was going to tell you that after the first of the year that the pension system rules and regulations hopefully that will change for you, it tends to be a time for people to retire.

Chief Kane stated that is correct.

Alderman DeVries asked what will you do in a week that you find out that you do not need the extra floaters to fulfill manpower and needs in the City?

Chief Kane replied that's kind of a situation that we do on a day-to-day basis. As you know, we staff at eight o'clock in the morning and we probably start staffing at seven...we really won't know for sure if someone doesn't call in sick or if there is an injury or something that day until seven o'clock that morning. What we do right now is we anticipate vacancies that may occur and we push those people up against it.

Alderman DeVries stated one more because I don't think you're directly answering my question and I'll be very specific for you. If you find a day and I understand you have all sorts of rules on mid-week travel and such but if it is a week that you anticipate you will have excess floaters and on that shift you do in fact have excess floaters and the rest of the union rules have been met, will you put a truck back in service or will you put extra men on apparatus which also increases their abilities to fight fires.

Chief Kane replied what we're doing right now currently is we're taking the areas where the trucks are to service...Engine 5 on Webster Street and South Main Street (Engine 2) and what we do is increase the manning on that piece there. So, when that piece goes out the door instead of really having an engine with three and a truck with two we end up with the engine with four people on it...

Alderman DeVries interjected almost as good as what Nashua has all the time.

Chief Kane reiterated almost as good as what Nashua has all the time but we're a great Fire Department so I think we can do just as well as Nashua.

Alderman O'Neil stated I would just like to follow-up with Chief Kane. Chief, I just want to make it clear to your response to Alderman Lopez's question. We have seen, based on what we have done to date, a reduction in fire protection service in the City.

Chief Kane stated with the two fire trucks out-of-service, yes.

Alderman O'Neil stated I have to be honest, your Honor, I am extremely scared about December, the winter months coming up, those are traditionally...we can have fires and fatalities any time of the year, we all seem to remember the ones around Christmas for some reason. But, with that I'll end my questions for Chief Kane.

Mayor Baines asked are there any questions of Chief Jaskolka?

Alderman Gatsas replied I have one of Chief Kane. Chief, how many ladder trucks do we have in service right now. How many people manning those fire trucks right now?

Chief Kane replied two each.

Alderman Gatsas asked can you explain to me then how is it \$375,000 to put two more ladder trucks on?

Chief Kane replied if there's two each there's four shifts, so if you look at the staffing seven days a week, 24 hours a day that's eight (8) people. So, when you look at a ladder truck it's eight people, not two, it's two per shift.

Alderman Gatsas stated I understand that but I guess my question is...let's use \$50,000 as a round number...that's the salary for two people to man it, I understand the shifts change, it's certainly not...that's not four times that amount. So, if we said that two people manning the ladder truck is \$100,000 how do we get to \$187,000. My recollection from what you said before during the budget process and told us the average wage in the Fire Department is about \$50,000 with benefits and if you're telling me it's four people, that's \$200,000...how did we get the \$375,000?

Chief Kane replied, Alderman, at this time I really don't have all those figures put together but I'd be happy to get back to you with those.

Mayor Baines asked are there any questions for Chief Jaskolka?

Alderman O'Neil stated can we just hear from the Chief on where the Police Department would stand with what's proposed tonight.

Police Chief John Jaskolka replied first of all I look at my operational expenses which as in most bases are pretty much flat lined for the year and the first thing I run into, of course, is the fuel which is going to put us at about a \$27,000 deficit for what we budgeted for. Obviously, I can't predict what will happen to our vehicles over the next year. The budget right now is running below what it has in the past year with the addition of the new cruisers that we do have. However, we still have several cruises that are well beyond their usefulness, actually, 16 to be exact...four of them are in the 1995-1996 vintage and the other 12 are 1999-2000 vintage. So, in order to pick up where we left off and actually get into some kind of rotation so that we replace the cruisers so that they are well within their usefulness we need to look at the purchase of 16 vehicles and I'm not sure where that's going to come from. Again, we have the projected overtime costs for the Verizon of \$95,000. I don't know how much that is going to increase now that the NHL is not playing and what the crowds they'll get at the AHL. We also need to look at and I know that

fortunately the elections are next Tuesday and that's going to go away but this particular Friday's visit with the President is going to be about a \$10,000 visit. Mrs. Bush last week although the final figures aren't in is going to be close to \$5,000. There's always the possibility of a post-election visit at the cost of about \$10,000. The Johnson Street triple homicide is sitting at \$20,000 right now. Can't predict court fees for these for when they finally do go to court, if they do go to court because there's just as much preparation going to court as there is the actual trial and the actual investigation into the homicide and again if we get another major event it's not uncommon for that to come up to \$20,000 or so.

Alderman Shea asked, Chief, if you need extra vehicles I believe that we have a fund, Randy, for vehicle replacement.

Mr. Sherman stated there was \$200,000 budgeted this year for motorized equipment. I do not know what the priorities are for those funds but there were some dollars budgeted.

Alderman Shea stated but in the event we obviously need replacement there is money available for that particular purpose.

Mayor Baines interjected unless we had to tap it to deal with problems with Contingency, we may have to look at other funds that are out there that have not been expended and halt any further spending until we get a clearer view on emergency expenditures.

Alderman Shea stated one of the points, your Honor, I would like to address is I believe there was a big stink made when President Clinton used to come to the City here because obviously the City had to fund so much money for that. Does the Republican party or the Republican whatever, do they reimburse the City for protection when the President comes or do they not, they've got more money than God sometimes to spend on all kinds of commercials and everything else but have they got money enough to pay for the protection that we afford them?

Chief Jaskolka replied the simple answer, Alderman, is no.

Alderman Shea stated when President Bush comes here and the City of Manchester has to spend \$10,000 of taxpayers money, is that correct we don't get reimbursed for that.

Chief Jaskolka replied that is correct. We run spread sheets and those numbers are where they're at because we use a lot of on-duty personnel. So, we're actually taking from different areas of the City...we're taking detectives, we're taking school resource officers, we're taking crime prevention officers and using them at traffic posts and security posts; that figure is overtime alone. What we do is put together spread sheets and we have billed the Democratic National party and the Republican National party and to the best of my knowledge in the past eight years we've been paid once.

Alderman Shea asked how much have we really spent when the President has come to Manchester. I know he was up at McIntyre.

Chief Jaskolka replied the last visit was \$8,500 to \$8,700. This Friday due to the location we are estimating \$10,000.

Alderman Shea stated that's a lot of money when we're trying to hold our budget. Not that I begrudge him coming, it's not everyday that the President comes but it does cost the taxpayers a lot of money when our fuel costs are rising and when every other thing is rising and we're trying to give the taxpayers a fair shake here and we're paying all of this money for the President and other people. If Kerry came would we have to pay for him too.

Chief Jaskolka replied yes.

Mayor Baines asked what do you estimate the total cost from this whole Presidential campaign is?

Chief Jaskolka replied actually this year hasn't been bad because we don't have a sitting Vice-President running as we did four years ago. I don't have the exact numbers but I'm guessing it's going to be \$40,000 to \$50,000, it was much more than that four years ago but then again we had a sitting Vice-President who was here once-a-week.

Alderman Gatsas asked, Chief, can you tell me who what that sitting Vice-President that cost us that money, was it Al Gore?

Chief Jaskolka replied yes it was, Alderman.

Alderman Gatsas stated okay, I was just checking because I didn't know if Alderman Shea knew that it was Al Gore that was costing all that money four years ago.

Alderman O'Neil interjected can we bring this back to the all real important issue.

Alderman Shea asked could Alderman Gatsas repeat that, I didn't catch him.

Mayor Baines replied no, I don't want him to repeat it. All he did was make the point was that when Al Gore was running for President four years ago, I think he only came here once by the way and there was a cost associated with that which we absorbed.

Alderman O'Neil stated you've talked about special situations that have cost you some money, fuel costs are going up, fortunately police cruisers probably don't use as much fuel as a dump truck or a fire truck but you talked about the dignitary protection, you also talked

about (unfortunately) the Johnson Street homicide...how are you dealing with the regular delivery of police service in the City from answering 911 calls to investigating various crimes throughout the City.

Chief Jaskolka replied what we did was when we originally looked at the 2% budget that started during the summer I took my school resource officers who most of which go into juvenile to cover vacations I put them in patrol, I took an investigator from every division and put them back into patrol in order to cover their overtime and we managed to keep the overtime down for the summer. I've been monitoring the budget bi-weekly sitting down and looking at what it was costing us and when we got into September when the school resource officers went back to the schools within two weeks of that we made a determination that we could return everyone to their divisions. What we will continue to do now is to monitor the budget and if the need be, if overtime starts getting to be a problem, of course, the first place we're going to pull from is community policing and I believe that this Board got a letter from a Ward 3 advocate for that complaining that she wanted her community policing out there, it's a very important program, but that is the first program that we have to pull from when we need to put people in the cruisers. If it goes beyond that again we'll start taking people out of the divisions to fill patrolling.

Alderman O'Neil stated so the day-to-day generally...so far you've been okay and you project you'll be okay...it's the special events or unfortunately extremely serious crimes that are costing you money right now.

Chief Jaskolka replied we've leveled out right now. We don't have the overtime issues we had during the summer. We do have overtime issues...the cruisers have to be filled, the dispatch positions have to be filled, the front-counter positions have to be filled and that comes in at an overtime cost at times while still attempting to provide the services to the people of the City want.

Alderman O'Neil stated other than those special situations you're tracking okay right now, but all it takes is a couple of those incidents that will throw the whole budget off.

Chief Jaskolka replied that is correct.

Mr. Thomas stated I would just like to follow-up on that. I would like it to be known that even though I moaned and groaned and cried doom regarding winter activities. To date, we have been living within our 98% budget and without having to deal with the snow issues, I feel confident that we could make it through the year at the 98% level. So, again, it's only the unpredictable nature of these winter expenses.

Alderman Gatsas stated, Chief Jaskolka, didn't you get the appropriation for ten (10) new cars.

Chief Jaskolka replied yes we did.

Alderman Gatsas stated I thought that covered everything that you were looking for.

Chief Jaskolka replied that covered all of the route cars at the time. Now, we still have several other cars that are in-service that are beyond their usefulness. That was the every day, 24/7 route cars that were replaced. When a car reaches a certain level we take it off that actual route car and we put it into community policing or a unit that may only go out on the 4:00 to 12:00 or may only go out on the midnight shift if it's not in 24/7 use.

Alderman Gatsas stated my understanding was that that brought you just up to about snuff without having to have to worry about anything until next year.

Chief Jaskolka stated that is when we are going to be looking...when the budget ends this year is when we are going to be worrying out these cars, that's correct.

Alderman Gatsas stated we're only into October and like the Mayor said they started last November and we're coming close.

Alderman Roy asked, Chief Jaskolka, you're at full complement right now?

Chief Jaskolka replied no we're actually four (4) officers short. We didn't hire those due to the 2%. We are testing and are hoping to bring the officers up to full complement by mid-January. We are four (4) dispatchers short, three of those will be starting Monday with the fourth we're hoping by mid-November and police support specialists which are the people who work the front counter we're two (2) short and we're hoping to have one by November 1st and one by the end of November. We've tried, during this process, to keep the civilians up which we've had some problems with people leaving prematurely but if we don't have the civilians there the positions still have to be filled and many times they are filled by a police officer who has to be taken off the street.

Alderman Roy asked, Chief, your total complement of officers is what?

Chief Jaskolka replied 205.

Alderman Roy asked roughly your overtime to date in this budget cycle is what?

Chief Jaskolka replied this would be...I don't think we have last week's figures but we're sitting at approximately \$238,000.

Alderman Smith stated from what I'm getting if we maintain the budget restraint at 2% and what I'm hearing from you gentlemen and tell me if I'm wrong that you'd be able to utilize bearing any unforeseen sever fires in the winter...you'd be able to maintain what is going to be proposed here tonight, am I hearing that correctly?

Mayor Baines asked does anyone want to contradict that.

Chief Jaskolka replied if absolutely nothing happens and everybody shows up for work we'll make it through.

Chief Kane replied it's going to be incredibly tight and I'm going to have to keep the ladder trucks out-of-service and it's going to be additionally tight in regard to that. I've heard a number of Aldermen regarding the ladder trucks and their feelings on those trucks.

Alderman Smith stated my main thing for your four gentlemen...we have to oblige services and you're all dealing with safety whether it's health, highway and so forth...that you'll be able to maintain services as needed right now.

Mr. Thomas stated that is correct. In my case, as I mentioned before, I could live with the 98% provided winter activities aren't up there.

Mayor Baines asked are there any further questions of these gentlemen before we go on?

Alderman Lopez stated I've had retirees, has that been looked at retired police officers maybe doing dispatch or something like that because I know you go through dispatchers over there a dime a dozen, they don't last very long. Are there any savings if retired police officers...I've had several approach me for positions over there and I told them to check with you, are there any savings which is my point.

Chief Jaskolka replied I don't believe it's ever been looked into but they would be receiving the same rate of pay as any other dispatcher we have. We do have two people right now who have retired from the department and are civilian dispatchers now. If when the openings are there they apply we're going to look at them. Obviously, they have what a normal civilian dispatcher doesn't have is that they have some knowledge of what happens out on the streets. The two that we have are doing a very good job...the three that we have, we do have three retired police officers as dispatchers and obviously they know both ends of the job.

Alderman Lopez asked are you restricted to the number of retired police officers.

Chief Jaskolka replied no. They would come back as a civilian, it's a different retirement system.

Alderman Gatsas stated, Chief Kane, I know and I don't know if you've produced it but the overtime we were looking at during the budget cycle, a list not by employee but by rank, the amount of overtime that's been paid by rank from the highest to the lowest...I don't think we've been in receipt of that, at least I haven't seen it.

Chief Kane replied I believe that was distributed last spring during the budget process.

Alderman Gatsas stated what you distributed, Chief, is you distributed on a weekly basis and what I'm looking for is a total amount that was paid to X, Y, Z firefighters just in overtime. I don't need to see his name, all it has to do is be listed rank-by-rank.

Mayor Baines interjected Alderman Smith indicates that was received.

Alderman Smith stated we did receive it, we did get it in Accounts.

Mayor Baines stated any Alderman that wants it should indicate to the Clerk who will get it to you.

Alderman Gatsas stated you got it in Accounts.

Mayor Baines stated everybody would have gotten it.

Alderman Smith stated you would have gotten it in your own packets but we had a meeting in Accounts with overtime in the Fire Department.

Alderman Guinta stated I will try to be quick and brief. There are three particular areas that I wanted to see if we could try to reduce the proposed 5.52% and it's going to require some numbers from Finance first. What the numbers are from the last two years in insurance reserves. What we paid in. I want to see what the differences are. The second is the School fund balance. I believe by ordinance as opposed to by statute we require half go to reserve, half go to General Fund. By ordinance we could change that and take an additional portion of the School fund balance to reduce the rate and the third would be looking at the \$113,000 Arts and Culture reserve, putting all of this...a portion into Contingency, a portion into reducing the tax rate, a portion that is used in Contingency to use for catastrophic events between now and April. If there are none or if there is a certain balance left over we could then return a portion or all of those funds back to Arts and Culture and then the remainder to further reduce the tax rate. My question of the Board is after we get the finances is any of that feasible. I think it accomplishes a couple of things. It further provides flexibility to the four (4) departments in front of us should they need it during the winter months and it also reduces the tax rate further than the proposal without any detriment, at least in my view, to the reserve accounts or to the future fiscal planning that we are trying to adhere to.

Mayor Baines stated let's deal with the first one, the insurance reserve issue. I think we've already addressed that; that's not something that Finance would recommend or the Mayor would recommend, it would not be in the long-term interest of the City.

Alderman Guinta asked can I follow-u on that.

Mayor Baines replied sure.

Alderman Guinta stated it is and I understand that principle, however, I guess my question then would be what is yours and Finance's recommendation with respect to using all of the tax revenues because essentially that is a reserve account.

Mayor Baines indicated I did not recommend that as you know...

Alderman Guinta interjected it's in your proposal.

Mayor Baines stated no. This is a projection to the number, this is what was worked onto get you there. My budget that I presented in March had only half-a-million going towards that. My budget, also in March, funded public safety to the level that I felt they needed to be funded. So, I've already made my position...now, the Aldermen have taken a vote on this. We presented a road map to get there and I said at the beginning I'm not comfortable totally with the road map, but Randy if you want to go through the insurance reserve issue first.

Alderman Guinta stated if I can just say one thing before he addresses that. My point is if we're going to be completely consistent we should not take any of these reserve accounts into consideration with respect to reducing the tax rate because that probably is the recommendation of Finance, however, we're not following that recommendation when it comes to the Tax Rate Stabilization Fund and we have that ability to accept their recommendation or not. So, if we're not going to accept it with respect to that Stabilization Fund why not apply that same principle and utilize some of just a small portion of the reserve account as well.

Mayor Baines asked, Randy, would you like to go through the first one once again.

Mr. Sherman replied I have to figure out how much went into each account in the last three years, that's going to take a few minutes. As we said during the budget process as far as using the Tax Rate Stabilization...you're right, we in Finance don't support that either, however, using it to reduce the tax rate is at least within its intended purpose. The reason it required two-thirds vote is because the ordinance has certain conditions on when you can use the rest of the balance and we do not fall within those reasons. So, in essence, you're using it for a different purpose as the ordinance was intended for the purpose of stabilizing the tax rate. And, again, as far as going back and using anything in the one-time account to come in

and reduce the tax rate. Again, we're trying to stay with the integrity and the purpose of that ordinance by setting up the additional reserve to cover an expense that is within the operating budget and have that reserve there for future years as well so it's not a one-time hit. In trying to maintain the \$750,000 at the discretion of the Board and how those dollars get transferred ultimately I think we've taken care of the Contingency issue. Maybe not to the level that everybody will go home tonight and have a good night's sleep but I think certainly to the level that we can address layoff issues up front. Clearly, if we get 20 back snow storms or even ice storms that's an issue that we are going to have to deal with. We have that issue every year, that's not something new. The issue that we dealt with today with trying to deal with layoffs and trying to prevent any layoffs and when Chief Kane said that an earlier proposal would not work for him we went back and revisited it and I think we've got at least a solution to deal with that. But, again, I would not recommend tapping the one-time account or any of the other reserves and putting them into something it's not intended to...the Tax Rate Stabilization again we can swallow that one because that's what it's...

Mayor Baines asked what about the fund balance issue from the School District that he raised?

Mr. Sherman replied I believe the School is giving you 100% of their fund balance.

Alderman Guinta stated but by ordinance I believe we're required to...a portion goes to reserve and a portion goes to General Fund, isn't that correct?

Mr. Sherman asked are you talking about whether or not it would go into the Rainy Day Fund? There was nothing that went into the Rainy Day Fund this year.

Alderman Guinta stated okay the School Fund balance back then under the "then" column was \$1.25 million, today it is \$1.7 million. Tell me where that \$1.7 million goes.

Mr. Sherman replied they're going to use it to reduce their tax, a 100%, yes.

Mayor Baines stated so there is nothing there to further reduce it. Now, what was your final question.

Alderman Guinta replied the \$113,000 in establishing the Arts and Cultural Reserve...

Mayor Baines stated I don't think your scenario accomplishes what we really want to accomplish which is to reduce the tax rate tonight. This reduces the tax rate tonight.

Alderman Guinta stated by establishing the Arts and Cultural Reserve.

Mayor Baines reiterated that reduces the tax rate...now, let's go over that one more time.

Alderman Guinta stated that is not clear.

Mayor Baines stated that's right and that's why it's important that everybody understand that. Kevin or Randy...

Mr. Sherman stated the way that is written is that we can recognize...we're almost treating it as if it's a deferred revenue. We collect it one year, we recognize it as a revenue in the year that we can offset Arts and Culture expenses. So, because the current appropriation includes items that would fall within the defined definition of that ordinance as an Arts and Cultural expense if we set up this reserve we can then recognize a portion of it as a revenue within this current year. Next year, if the Mayor has those same types of expenses within his budget he could then take more money out of that reserve. Again, the way we...sitting down with Tim Bechert and looking forward obviously those numbers aren't cast in concrete but it looks like over the next two or three years there will be at least that \$113,000 available for years '06, '07, '08...so, we're not getting this one-time shot in the arm. We stuck with the purpose of the ordinance, we set up the reserve and we can see or at least feel confident that those dollars are going to be there for the next two or three years.

Mayor Baines stated follow-up and then we are going to continue with the agenda.

Alderman Guinta asked where is that \$113,000 coming from originally?

Mr. Sherman replied not this past January but the January before that, so at the end of Verizon's first operating year they sent us a check for \$226,000 that was placed in the one-time revenue account. Now, under the one-time revenue ordinance we can set up "sub" accounts to put these dollars in to fund these on-going reoccurring operating type expenses.

Alderman Guinta stated so we are going to create an Arts and Culture account starting with \$113,000 and then use that not for Arts and Culture but to reduce the tax rate.

Mr. Sherman stated because the '05 appropriation has Arts and Culture expenses.

Mayor Baines stated so instead of it coming out of the General Fund, Alderman, it will come out of this fund.

Alderman Guinta stated we're going to continue to do that every year without the Arts and Culture community looking to actually use those funds.

Mayor Baines stated you never have to appropriate the money in the fund but we do have requests every year and I do put in a sum of money for The Palace Theatre, we've supported other cultural events in the City...

Alderman Guinta stated that comes out of CIP.

Mayor Baines stated this is where we place cash in CIP so it won't come out of your General Fund any longer.

Mr. Sherman stated it's a revenue to offset some of your CIP expenses.

Alderman Gatsas stated I'm glad to see that we've spent more time on the budget tonight than the evening that we passed the budget. So, I'm glad to see that the Aldermen are at least making an effort to save the taxpayers some money. I was one of the Aldermen that voted against the original budget, I think if we take a look back and take a look at the subsidy that we gave the Transit Authority that was \$200,000, if we would have waited one evening on the School budget and included them in the cuts we wouldn't be looking to layoff safety personnel in this City that concerns me as much as it should any other Aldermen, but if we take a look at that School budget and say that we cut them the 2% that we're looking to hit the departments with we probably would be in pretty good shape because obviously the fund balance that we talked about or at least the budget that I presented for schools was about \$1.7 million less. We would have been under that 5%, we would have been going along and not looking to remove ladder trucks or layoff firefighters or anything else. So, I think that I certainly...we are sitting here looking at, talking of the possibility of firefighters being laid off and we're setting up a Cultural Reserve Fund at \$113,000; that just doesn't make sense to me. Where it's raining out and we don't want to put the umbrella up we just want to get hit by the rain. It just doesn't make sense and I can appreciate where people want to go with Arts and Culture but I think that \$113,000 when we're trying to save and scrimp every penny we have I don't think that that's a reasonable proposal. I look at some of these numbers, your Honor, and I guess I question where they're coming from. The valuation...maybe, I need to talk to the Assessors, the valuation is the same number that they gave us on June 8th. Has there been no activity in this City?

Mayor Baines called upon Mr. Tellier.

Mr. Steven Tellier, Chairman of the Board of Assessors, stated just to answer your question, Alderman, there has been a great deal of activity. Approximately 1.89% of real tax base construction growth which is unheralded in probably the last 20 years. So, what we did as the Board of Assessors we understood the crisis that the Board was in in May and June. We gave, effectively, the best closest estimate and here we are six to eight months later and we've met that estimate and we further increased contributions by reducing our original appropriation amount on the overlay by 30%.

Alderman Gatsas stated what I saw you increase it by, Steve, is somewhere around \$46 million.

Mr. Tellier replied it was about \$90 million overall, Alderman, from our initial estimate in May then we came with a revised estimate with the additional \$46 million. So, it's about \$90-96 million from last year to this year.

Alderman Gatsas stated so from June to today you don't see any other growth.

Mr. Tellier replied there is but that will be on next year's tax base. The State mandates an April 1st deadline. Any construction after April 1st has to go on the following year's tax base.

Alderman Gatsas stated so if I ask the Building Department if there has been any major renovations/building permits pulled that would include that you would know about that, is that correct?

Mr. Tellier replied actually I have a list, I've already started with my colleagues while listening to this conversation...billables, the Shaw's, we've got several hundred subdivisions, we have Bridge and Elm Streets, Pease Development Condos, I have a lengthy and we're already gearing up for next year's presentation.

Alderman Gatsas stated you're missing my point. My point is that since you've put this in, it's got to be in effect April '05 is that correct?

Mr. Tellier replied April '04 is what this estimate is. In other words, anything that existed after April 1, 2004 (last spring) doesn't count for this tax base it goes towards next year.

Alderman Gatsas stated I think, your Honor, when I first was elected and so were you and I think Kevin you will remember I was the one that challenged the reserves in both the medical account when the auditor was Plodzik (?)...who was the auditor just before the one you have now.

Mr. Clougherty replied before it was Melanson & Heath.

Alderman Gatsas stated Melanson & Heath was here, the reserve accounts and the medical and in the Worker's Comp were far below from what they are today.

Mr. Clougherty stated that's right.

Alderman Gatsas stated I think that I had talked about, during the budget cycle, that we could reduce the amount that were put into those reserves because (1) the medical claims are in our benefit and (2) Worker's Comp is in our benefit. Those are two places that I believe that when you gave me the numbers back six year's ago that we never entered into those reserves

for a five-year period. Now, I guess when you look at those if it's five years previous to six and you always felt comfortable when you went into talking about bonding that that was never a big issue but it was an issue for the auditors. Now, I guess I'm going in and saying those are tax dollars that were paid, we can pull some of that money out and reduce this tax rate, there's no reason why we shouldn't do that, it doesn't affect anything else other than as some of the Aldermen have done with the Tax Rate Stabilization Account, so there's no reason why it can't be done seeing that Mr. Tellier is telling us that the growth in this City is continuing and that by next year it should be even greater than what we're looking at today.

Mr. Clougherty stated I respectfully disagree, Alderman, on a couple of fronts. One, when we were talking back five years ago we didn't have the credit rating that we have today. We were building up to that and one of the ways we did that was following a good strategy and funding our actuary based reserve. The other thing that I'll remind you of is that this year as part of your appropriation of health insurance we trimmed that as tight as we could. One of the reasons that we gave you for trimming those appropriations this year is because we had the reserves to fall back on. If you start cutting your reserves and what we forecasted for this year comes in shorter you're short cheating yourself in two different directions. We don't recommend that you do that. The other thing with respect to valuation is as both you and I know is that valuations are great when the market is growing but I've sat in this seat when the Assessor's told me that the market is growing and all of a sudden there's a burst in the property and then you're really in a problem. So, a combination of those three things taken collectively can draw you back to a position that would affect your credit rating. So, I wouldn't recommend any of those. As I've said consistently over the years if there are areas that you want to deal with in terms of reducing the budget it should be on the spending side. We've talked about consolidations, we've talked about reductions and changes in other areas and there's a lot of things that the Board could do to reduce its expenses. There's a lot of things that you can do in terms of doing valuations and to bring up the dollars so that they come in...even defer the valuation. Trying to do correctional activity at the last minute by tapping into your reserves is not recommended and is not recognized by rating agencies as preferred management. The reason we have good ratings is because we're well-managed and we've stuck to a discipline. Don't depart from the discipline.

Alderman Gatsas asked, Kevin, the credit rating five years ago was what?

Mr. Clougherty replied I'd have to go back and look, Alderman, but I don't think it was the double A pluses (AA+) that we have now.

Alderman Gatsas stated I think you were pretty close to that.

Mr. Clougherty replied it was probably double A (AA).

Mr. Sherman stated five years ago it was the double A (AA) by Moody's.

Mr. Clougherty stated by one rating agency (Moody's) and now you have all three in your AA+.

Alderman Gatsas stated but that plus is going to affect the rating but not by much.

Mr. Clougherty stated again, Alderman...no, that's not true. Let me finish. If you're going to say that...it may not affect when the rates are like this but now we're leaving that compressed time period where rates have been slow and we're going to see rates starting to go up...the fed is moving. So, that is going to become a bigger impact for you.

Alderman Gatsas stated your recommendation is not to go after any one-time accounts, is that correct, is that what I hear you saying?

Mr. Clougherty replied what we said to you consistently as a Board and as a staff over the years is that putting one-time revenues into the budget is not a recommended practice because you cannot sustain that activity and you should not follow that; that is why those reserves have been set up.

Alderman Gatsas asked did you work with the Mayor on his budget?

Mr. Clougherty replied we worked with the Mayor on all of his budgets.

Alderman Gatsas stated so when the Mayor put in \$500,000 for the Tax Rate Stabilization Account what was your advice to him?

Mr. Clougherty replied my recollection is he followed the ordinance.

Alderman Gatsas asked what was your recommendation?

Mr. Clougherty replied to follow the ordinance.

Alderman Gatsas asked what your recommendation for him to do it?

Mr. Clougherty replied certainly that is why it was established. If he wants to use half of it and that's the purpose, that's fine.

Alderman Gatsas stated just two seconds ago you told me that it would be Finance's position that you would never go into those one-time accounts.

Mr. Clougherty stated with respect to the Tax Rate Stabilization that one is a little bit different, it was set up to smooth things out year-over-year and what he put in his budget back then was the intended purpose and was within the allowable limit.

Alderman Gatsas in reference to the \$900,000 what?

Mr. Clougherty replied the \$900,000 is in addition, it is beyond what we've said is allowable in the ordinance, it's not the best practice but if you're going to hit one of the reserves that's the one you should hit.

Alderman Gatsas stated a question for the City Solicitor.

Mayor Baines interjected we'll get back to you.

Alderman O'Neil stated just a couple of questions and then a statement. Kevin, I just want to make sure I'm clear on this. In the opinion of the Finance office we have not overfunded the insurance reserves.

Mr. Clougherty replied no. We can't because it's set actuarially and the ordinance have been adopted to require us to...once those are fully-funded to have those dollars go to your fund balance.

Alderman O'Neil stated I want to make sure...very early on in this conversation we have approximately \$135,000 in Contingency today and somehow there was \$400,000+ added...where did that \$400,000 come from? I must have missed that part.

Mr. Clougherty replied you have \$135,000 in Contingency. My recollection is you're talking about the Salary Adjustment Account that had \$750,000 in it, you take \$250,000 for Fire and leaves about \$500,000, I believe that is what you're talking about.

Alderman O'Neil stated so that brings the Contingency number up.

Mr. Clougherty stated that was in addition to the \$130,000. I know people have been interchanging the term Contingency and the term Salary Adjustment tonight, Alderman.

Alderman O'Neil asked what will be the recommendation from the Mayor. What is the Contingency number if we vote on this tonight?

Mr. Clougherty replied \$130,000 is the remaining balance. Randy, do you have what it is exactly?

Mr. Sherman replied right now there is a balance of just under \$135,000.

Alderman O'Neil stated then we're saying that we are going to be able to address, if there's an issue at Highway, if there's an issue at Fire, but what if they're not salary issues, what if it's salt; that is where I'm confused.

Mr. Sherman replied then we can transfer it to Contingency. We can always come back and transfer it.

Alderman O'Neil stated I am going to make a statement and then that will be it for me. I think we need to look at building up these reserves and contingencies because I am very concerned about the dollar amount. It seems that all of this discussion is over whether we have a 5.52% increase or a 6.84%...I asked that question earlier, 6.84% is the number that would fully fund everyone. So, we're talking a little over a percent increase about \$1.8 million and that's about \$.35 cents on the tax rate and that would fully fund and that should get the ladder trucks back in service, that should not push the limits on whether or not how much salt we're going to put down or whether or not we're going to have enough trucks out plowing, it's not going to push issues, but that should restore us. I think if we are in this little bit of financial crunch we should look at freezing non-essential positions like the Economic Development Director, Deputy Parks Director...I can't sit here and with a good conscience sit here and support filling those positions when we're talking about possibly laying off firefighters, not hiring police officers, not putting enough trucks out to plow and salt our streets, challenging the number of health professionals we have if a crisis comes up. I think we seriously need to look at that. I think we also need to not only look at but act to somehow restore these ladder trucks. I just did some basic...these ladder trucks affect Wards 1, 2, 3, 4, 9, 10, 11 & 12. It affects the City, folks, it affects the City and the problem in the City lays squarely with actions taken in Concord. We've done our job here, Concord failed. Concord failed us. We've done our job and the elected and the staff are to be congratulated for that. We've done our job here, the problem is in Concord. Thank you, your Honor.

5. Ordinance:

“Amending the Code of Ordinances of the City of Manchester by adding new subsection 35.036 Arts and Cultural Events Reserve Account.”

On motion of Alderman Shea, duly seconded by alderman Thibault, it was voted that the Ordinance be read by title only, and it was so done.

Alderman Shea moved to suspend the rules and place this Ordinance on its final reading by title only at this time, without referral to the committees on Bills on Second Reading or Accounts, Enrollment and Revenue Administration. Alderman Thibault duly seconded the motion. A roll call vote was taken. Alderman Gatsas, Osborne, DeVries and Forest voted nay. Alderman Guinta, Sysyn, Porter, O'Neil, Lopez, Shea, Garrity, Smith, Thibault and Roy voted yea. The motion carried.

The rules having been suspended, on motion of Alderman Thibault, duly seconded by Alderman Shea, it was voted that the Ordinance be read a final time by title only, and it was so done.

This Ordinance having had its final presentation, Alderman Thibault moved that the Ordinance pass and be Ordained. Alderman Sysyn duly seconded the motion.

Alderman Gatsas stated clarification...what you're having here on this piece of paper here it says "Establishing an Arts and Cultural Events Reserve Account." is that what we're doing or not doing it. We're establishing an Arts and Cultural Events Reserve and taking the \$113,000 out of the General Fund to do that.

Clerk Thibault replied the \$113,000 you are not doing yet, this is just establishing the account.

Alderman Gatsas stated it's coming out of the General Fund, so it's not reducing the tax rate, the statement that you made in reducing the tax rate is not clear.

Mayor Baines called upon Mr. Sherman.

Mr. Sherman replied you're taking \$226,000 out of the one-time account, placing it in this reserve and then taking half of that and using it to reduce the tax rate which is the \$113,000.

Alderman Gatsas stated so we are establishing a new fund with \$113,000.

Mayor Baines stated of things that are already being funded out of the General Fund.

Mr. Sherman stated this is not a new appropriation.

Mayor Baines reiterated this is not a new appropriation and please understand that, this is funding items that are already being funded out of the General Fund, having them funded out of this to reduce the taxes.

There being no further discussion, Mayor Baines called for a vote on the motion to Ordain. The motion carried with Aldermen Gatsas, Osborne, DeVries and Forest being duly recorded in opposition.

Clerk Thibault stated the motion on the floor would be to concur with Proposal #1 of 5.52% tax rate impact inclusive of using the full amount of \$1 million of Tax Rate Stabilization Account, establishing the Arts and Cultural Events Reserve Fund at \$113,000 and maintaining budget restraints for departments at 98% of budget maintaining \$750,000 in Salary Adjustment Account to be transferred to departments as needed.

Alderman Lopez moved the motion as outlined by the Clerk. Alderman Shea duly seconded the motion. Roll call vote on the motion as follows: Aldermen Thibault, Sysyn, Porter, O'Neil, Lopez, Shea and Smith voted yea. Alderman Forest, Roy, Gatsas, Guinta, Osborne, DeVries and Garrity voted nay. The motion failed.

Mayor Baines asked Deputy City Clerk Johnson to clarify.

Deputy City Clerk Johnson stated the motion that was just read and the roll call taken required a two-thirds majority. If the \$1 million Tax Stabilization Account portion is removed from that motion it would reduce it by the \$100,000, I think is the difference between the \$900,000 and the \$1 million and the Tax Rate Stabilization requires a two-thirds majority which is ten votes.

Alderman Lopez stated during the budget process if you want to go back to the minutes when we presented the budget we did have the votes, we had 11 votes for using \$900,000 out of there, so the two-thirds votes accounts for only \$100,000.

Deputy City Clerk Johnson replied that is correct. We can remove that portion and restate the motion and you can take another motion which in essence will pull the \$100,000 out.

Alderman Lopez stated the only thing we're voting on is adding \$100,000 because we already voted for the \$900,000 previously.

Mayor Baines replied that is correct. Would the City Solicitor please clarify.

Solicitor Clark stated as I understand it the budget already includes \$900,000, so you're just adding \$100,000 if you do it this way and it takes a two-thirds vote. If you remove the \$100,000 then it takes a majority vote to do the rest.

Mayor Baines asked what would you recommend at this point in time.

Solicitor Clark replied I would suggest that you take out the Tax Rate Stabilization Account language and take a vote on it that takes a majority vote then if the Board wishes to take another vote on the \$100,000 in a separate motion and that would take a two-thirds vote.

Mayor Baines asked what would you recommend for the motion for the first part of it.

Deputy City Clerk Johnson replied the motion would be to concur with Proposal #1 of the 5.52% tax rate impact inclusion of establishing an Arts and Cultural Events Reserve fund at \$113,000, maintaining budget restraints for departments at 98% of the budget and maintaining \$750,000 in Salary Adjustment Account to be transferred to departments as needed, not to include the \$100,000 for the Tax Rate Stabilization.

Alderman Porter stated I thought I counted 7 to 7, I think maybe you'd better take the vote over again.

Solicitor Clark stated it was 7 to 7 but it takes two-thirds.

Deputy City Clerk Johnson stated that would be the motion.

Mayor Baines asked could you repeat the motion, please.

Deputy City Clerk Johnson replied the motion would be to concur with Proposal #1 with the exception of \$100,000 Tax Rate Stabilization Account including of establishing the Arts and Cultural Events Reserve fund at \$113,000, maintaining budget restraints for departments at 98% of the budget and maintaining \$750,000 in Salary Adjustment Account to be transferred to departments as needed.

Alderman Shea so moved on the motion as outlined by Deputy City Clerk Johnson.

Alderman Lopez duly seconded the motion.

Alderman Roy stated although I don't believe 5.52% is the best we can do for our taxpayers I would like to have a discussion regarding the safety personnel, first responders that are not able to because of our budget restraints. When we did the 98%...

Mayor Baines asked what does this have to do with the motion that's on the floor?

Alderman Roy replied it has to do with the 98%, your Honor. When we worked on this 98% it was in order to save money through this time of year and some of us took budget cuts in our wards, Ward 1's ladder truck went out although it services the entire City, we had this discussion regarding a cost savings for a three or four month period and then working toward reinstituting the budgets to 100% and I'm seeing a lot of nods from my colleagues knowing that I'm correct. I would, at this time, like to explore Alderman O'Neil's suggestion of non-essential personnel versus first responders. I think we owe it to our constituents as well as

our taxpayers to not only keep their houses and their tax rate affordable, but keep them safe in doing so.

Mayor Baines stated I think the rate would be 5.6% if we don't include the \$100,000.

Mayor Baines called for a vote on the motion and requested Deputy City Clerk Johnson to repeat the motion.

Deputy City Clerk Johnson stated the motion on the table, in essence, is to set the rate at 5.6% (tax rate impact) which would include establishing the Arts and Cultural Events Reserve Fund at \$113,000, maintaining budget restraints for departments at 98% of the budget and maintaining \$750,000 in Salary Adjustment Account to be transferred to departments as needed. It does not include the \$100,000 in the Tax Rate Stabilization.

Alderman Shea asked why are we raising the tax base now when we can lower it. I don't understand it. In other words, all of these people that are wanting to go down in the tax base are raising it because they're not approving it. It baffles me why people talk one way and vote another way, it doesn't make sense, your Honor.

Alderman Gatsas asked what would the tax rate be if we didn't have that \$113,000 in the Cultural Reserve? If we added that right into the tax rate reduction. There's a reserve of \$113,000 that's not touched. We started it with \$226,000, we took half of it and we took the other half to reduce the tax rate, what would that reduce the tax rate to?

Mr. Sherman replied not counting the \$100,000...

Alderman Gatsas stated so you have to be back lower than the 5. whatever percent.

Mr. Sherman replied you'd be around 5.5% again.

Alderman Gatsas stated that is where you are now with the \$100,000.

A roll call vote was taken on the motion. Aldermen Lopez, Shea, Smith, Thibault, Sysyn, Porter and O'Neil voted yea. Aldermen DeVries, Garrity, Forest, Roy, Gatsas, Guinta and Osborne voted nay. Mayor Baines voted yea. The motion carried.

Alderman Shea asked can I add an amendment without changing? I'd like to add the \$100,000 that we took off to lower the tax rate a little lower, if I may. We took \$100,000 off the Tax Stabilization, so I would like to make a motion that we add that \$100,000 to reduce the taxes a little bit lower. Alderman Roy duly seconded the motion.

Alderman Forest asked do we need 10 votes on this motion?

Mayor Baines replied yes we need 10 votes to reduce the tax rate, yes.

Alderman O'Neil stated I supported what we're doing to move forward here but I can't believe that all people are looking at is some people say we need a lower tax rate but they're very concerned about the services. We're reducing services at this tax rate. Services in this City will be reduced. The public needs to be clear on that. They're going to go the entire year without two ladder trucks in the City, they jeopardize quality snow removal services in the wintertime and who knows if we have another serious crime in the City or health issue we don't have the proper reserves to address it. I still don't know how we are going to handle all those things, but yet we have people that continue to want to lower the tax rate when we're already jeopardizing services in this City.

Mayor Baines stated I said at the beginning of the presentation there was not enough money in reserves.

Alderman Gatsas stated with all due respect to my colleague, I believe those department heads sat in front of us in June and said those exact same things. They said exactly what Alderman O'Neil is saying right now today that the safety of the citizens of Manchester would be in jeopardy if we put the two percent (2%) cut in; that is exactly what they told this Board. This Board then decided to give Manchester Transit Authority an additional \$200,000 when they had a million dollars in reserve, we decided to pass the School budget and not look at any more cuts there. When department heads came in and told us those exact same things. So, I agree with Alderman O'Neil, but we should have done those things back in June when we had the opportunity to the other half of our budget that should have been in front of us.

Mayor Baines stated, Alderman, with all due respect on the School side that would have resulted in over 100 teachers being laid off, we've had class sizes of 35-40 students and I don't think any of us wanted that.

Mayor Baines called for a vote on the motion outlined by Alderman Shea. A roll call vote was taken. Aldermen Lopez, Shea, DeVries, Garrity, Smith, Thibault, Roy, Guinta, Sysyn, Porter and O'Neil voted yea. Aldermen Forest, Gatsas and Osborne voted nay. The motion carried.

Alderman O'Neil moved to put this Board on the record...I make a motion we increase the tax rate by \$.35 cents to restore proper funding for the Fire Department and that the snow removal services this winter are not jeopardized. Alderman DeVries duly seconded the motion.

Mayor Baines called upon Solicitor Clark.

Solicitor Clark stated, your Honor, this is a special meeting called to discuss the tax rate and the tax rate setting process. It's within your bounds to accept that motion, if you wish.

Mayor Baines stated I am going to accept the motion, is there any discussion.

Alderman Guinta asked did you say increase the tax rate by 35%.

Alderman O'Neil replied \$.35 cents.

Alderman Guinta stated maybe we could amend that to reduce...take money out of the reserve, we've made an argument that we don't need 100% of the reserve. If you look at the loss ratio over the last five years. Alderman Gatsas brought it up earlier this year and I think Alderman O'Neil would agree that that's an avenue that we could utilize tonight and I would agree if we could just get the numbers from Finance.

Mayor Baines interjected that's not his motion.

Alderman Guinta stated I know and I'm asking if there would be a willingness to amend the motion if we get the numbers from Finance tonight and again it comes down to the loss ratio, I don't think that we require the 100% as stated by the Finance Director.

Mayor Baines stated there would have to be a motion to take money out of the insurance reserves. I'm not seeing any groundswell to support that. There's a motion on the floor that's been seconded.

Alderman Lopez stated maybe for the City Solicitor and Finance...at any time during the year would we be able to do that, if we wanted to by ten Aldermen?

Solicitor Clark replied it wouldn't change the tax rate.

Alderman Lopez stated it wouldn't change the tax rate we'd just take the percentage out. If we needed money out of the insurance fund let's say we took \$500,000 at some point where we needed it, can we do that? The point that I would like to look at is if we can do that and there's ten Aldermen willing to do that we're looking at something unknown here. We don't know what's going to happen and if something does happen we do have avenues to go to. We have the one-time account and it takes ten Aldermen to take money out of there if we had to, we have the insurance fund, but something else suffers, so I just want to make sure that we're...

Mayor Baines stated I'm not taking any more questions or comments until the City Solicitor answers the questions.

Solicitor Clark stated in answer to Alderman Lopez's question about using that during the year we will have to take a further look at, we'll have to analyze that and talk to Finance and find out what's appropriated and what's not appropriated.

Mayor Baines called for a vote on the motion to raise the tax rate by \$.35 cents.

Alderman Porter stated I would just like to make it clear that we are restoring \$1.84 million just so we know what we are dealing with rather than percentages, etc.

Mayor Baines called for a vote on the motion. The motion failed on a voice vote.

This being a special meeting of the Board, no further business was presented and on motion of Alderman Shea, duly seconded by Alderman Smith, it was voted to adjourn.

A True Record. Attest.

City Clerk